

Vehicle Sales After Loss of Franchise

New Information

Existing law was amended to allow vehicle dealers, whose franchise agreement was terminated, cancelled, or rejected by the manufacturer or distributor, to continue to sell cars from their inventory for up to six months after the manufacturer's or distributor's bankruptcy petition date.

Procedures

- Dealers with a franchise agreement that was terminated, cancelled, or rejected by:
 - Chrysler may continue to sell new cars from their inventory through **October 31, 2009**, because the bankruptcy petition date was May 1, 2009.
 - General Motors (GM) may continue to sell new cars from their inventory through **November 30, 2009**, because the bankruptcy petition date was June 1, 2009.
- Chrysler and GM franchise dealers that converted their new vehicle dealer license to a used vehicle dealer license, and still have new car inventory that was acquired while under their new car dealer franchise license, must provide a list of all new vehicles they intend to sell, by vehicle identification number (VIN), to their local Occupational Licensing (OL) Inspector. In return, the OL Inspector will issue the dealer a new, pre-printed (by VIN) Application for Registration of New Vehicle (REG 397) form or an Application for Registration of Multiple New Vehicles (REG 397a) form for each inventoried vehicle listed by the dealer. This process does not apply to used vehicle dealers that were not previously franchised new vehicle dealers.
- Dealers who lost their Chrysler or GM franchise, but remain a new car franchise dealer for another vehicle manufacturer, may continue to use their existing report of sale supply to transmit Chrysler or GM vehicles that were in inventory on the date the bankruptcy petition was filed.
- The new legislation does not affect the vehicle registration process, so dealers should continue to follow instructions in the *California Handbook of Registration Procedures*.

Compliance Information

The six-month extension is only allowed if the:

- Termination, cancellation, or rejection of the franchise agreement was not a result of the dealer's license revocation by the Department of Motor Vehicles (DMV) or the dealer's conviction of a crime.
- Dealer actually held a franchise agreement with a manufacturer or distributor petitioning for bankruptcy.
- Vehicle(s) were in dealer inventory on the date of the bankruptcy petition.
- Dealer is not Out of Business (DOB).

Selling new vehicles without a franchise agreement after the six-month extension period is unlawful.

Background

Many dealers were unable to legally sell cars in their inventory when their franchise was terminated, cancelled, or rejected by the manufacturer or distributor. The amended law regulates actions that vehicle manufacturers may take with regard to their franchise dealers, and allows franchisees that have contracts terminated because of a manufacturer's or distributor's bankruptcy to continue selling new cars from their inventory for up to six months after the bankruptcy petition.

Reference

California Vehicle Code §§430, 11713.1(f)(2)(I), and 11713.13

Distribution

Notification that this memo is available online, at **dmv.ca.gov/pubs/olin/olin.htm** was made via e-mail alert in August 2009 to the following:

- Dealers

Contact

Questions regarding this memo may be directed to the DMV Customer Communications Unit, at (916) 657-6560.

A handwritten signature in black ink, appearing to read "Mary Garcia". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

MARY GARCIA, Chief
Occupational Licensing